A Collier County TDR Program

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Program

- Overview
- Land Economics
- Law of Diminishing Returns
- The Role of Density
- TDR Economics in Collier County
- Marking TDR Work
Overview

Quick overview of the TDR Program

- Allocate TDRs to Sending Area at 1 per 5 acres
- Sell TDR in Receiving areas at estimated $18,500
- Transfer 4,655 units from the Sending Area with TDR
- Absorb 4,655 units in the Receiving Areas
- By Increasing Density to 2 per 5 acres
Land Economics

- Land Value:
  - Land takes its value from its use
  - The greater the product from land the greater the value of that land
  - In an urban context, the product of land is dwelling units
  - The more dwelling units authorized, the greater the value of the land
  - Law of Diminishing Returns

- Define top requirements or restrictions.
Law of Diminishing Returns

- As additional units are added to a fixed quantity of land, value will increase at a diminishing rate
There is a level of Density That Will Maximize Value

- Collier market is a low density market
- In urban area
  - Average lot size is 10,000 FT$^2$
- In Rural Area
  - Average lot size in 4.8 acres
The Role of Density

- As density goes up, revenue per acre will grow
- As density goes up, revenue per unit will decline
- The market will balance these forces
- Equilibrium density
Density Cont.

- When authorized density is less than market density, TDR is economically feasible
- Authorized density in Rural Fringe Area
  - 5 acre lots
  - This is substantially below market density
- TDR is economically feasible in the Rural Fringe Area
TDR Economics in Collier County

- In the Rural Fringe Receiving Area:
  - Each additional unit adds $20,000 to $40,000 in additional revenue.
  - What would a developer pay to increase revenue by this amount?
  - That is the value of a TDR.

- After transaction costs:
  - TDR value estimated at $18,500.
Summary

- Sending Area property owners get salable TDRs in return for not developing their land
  - Owners get $18,500 per 5 acres and still own the land ($3,700 per acre)
- Receiving Area property owners can increase density if they buy TDRs
- The people of Collier County enjoy the preservation of environmentally sensitive areas
Making TDR Work

- Keep it simple
- Make allocation formula fixed
- Make increased density in receiving areas by right
- Do not allow rezonings in Receiving Areas
- Support the program!